

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary.state@leg.wa.gov

Regular Executive Committee Meeting

November 21, 2006

1:00 p.m. - 3:00 p.m.

House Hearing Room C
Olympia

AGENDA

- 1:00 p.m. **(A) Approval of Minutes**
- 1:05 p.m. **(B) Constituent Correspondence**, Kelly Burkhart, Executive Assistant
- 1:10 p.m. **(C) Possible 2007 Interim Meeting Schedule**, Kelly Burkhart
- 1:25 p.m. **(D) State Actuary Evaluation**, Glenn Olson
- 1:30 p.m. **(E) Dual Membership**, Laura Harper, Senior Research Analyst - Legal
- 1:45 p.m. **(F) Judges Benefit Multiplier**, Robert Wm. Baker, Senior Research Analyst
- 2:00 p.m. **(G) Technical Corrections**, Laura Harper
- 2:15 p.m. **(H) Direction on Day's Agenda**
- 2:45 p.m. **(I) December Committee Meeting**
- Age 66 COLA
 - WSP contribution rates
 - Gain-sharing
 - Dual membership
 - Technical corrections
 - Contribution-rate adoption process
- 3:00 p.m. **(J) Adjourn**

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

Senator Karen Fraser

***Representative Bill Fromhold**,
Vice-Chair

Vacant
TRS and SERS Employers

Robert Keller
PERS Actives

***Sandra J. Matheson**, Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

***Glenn Olson**
PERS Employers

***Senator Craig Pridemore**,
Chair

Diane Rae
TRS Actives

***J. Pat Thompson**
PERS Actives

Senator Mark Schoesler

David Westberg
SERS Actives

*** Executive Committee**

(360) 786-6140

Fax: (360) 586-8135

TDD: 1-800-635-9993

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Select Committee on Pension Policy meetings should call (360) 786-6140. TDD 1-800-635-9993.

Select Committee on Pension Policy

2006 Interim Work Plan

(November 6, 2006)

May 16, 2006

WSIB update
Update on other states' pensions
Pension funding / accounting reforms

September 19, 2006

Recommendation to PFC
\$150,000 death benefit
Service credit purchase due to injury
Judges benefit multiplier

June 20, 2006

Dual membership
\$150,000 death benefit
Service credit purchase due to injury

October 17, 2006

Dual membership
Gain-sharing
Plan 1 funding method
Post-retirement employment
OSA 07-09 budget request

July 18, 2006

Post retirement employment
Plan 1 funding method
Gain-sharing

November 21, 2006

2005 actuarial valuation report
PSERS membership report
Gain-sharing
\$150,000 death benefit
Judges benefit multiplier
Service credit purchase due to injury

August 22, 2006

Gain-sharing

Subgroup

December 12, 2006

2007 legislative proposals

Plan 1 Funding Method

August 21, 2006

September 18, 2006

Members

Senator Pridemore, Chair
Representative Fromhold
Representative Bailey
Representative Crouse
Representative Conway
Victor Moore
Sandra Matheson
Elaine Banks

Select Committee on Pension Policy

P.O. Box 40914
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REGULAR EXECUTIVE COMMITTEE MEETING DRAFT MINUTES

October 17, 2006

The Select Committee on Pension Policy met in House Hearing Room C, Olympia, Washington on October 17, 2006.

Executive Committee members attending:

Representative Fromhold, Vice-Chair	Sandra Matheson
Elaine Banks	Glenn Olson

Other Committee members attending:

Representative Conway	Doug Miller
Senator Fraser	Senator Schoesler
Robert Keller	

Representative Fromhold, Vice-Chair, called the meeting to order at 9:00 a.m.

(A) OSA 07-09 Budget Request

Matthew Smith, State Actuary, reported on the "2007-09 Budget Request." Discussion followed.

It was moved to approve the 07-09 budget request without the decision package for the National Conference of State Legislatures salary survey. Seconded.

MOTION CARRIED

It was moved to present the preliminary budget to the Regular October Full Committee. Seconded.

MOTION CARRIED

The meeting adjourned at 9:35 a.m.

*Elaine M. Banks
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

Senator Karen Fraser

*Representative Bill Fromhold,
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Chair

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PERS Actives

Senator Mark Schoesler

David Westberg
SERS Actives

* Executive Committee

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The Executive Committee resumed their meeting in House Hearing Room A at 1:35 p.m.

Executive Committee members attending:

Senator Pridemore, Chair	Sandra Matheson
Representative Fromhold, Vice-Chair	Glenn Olson
Elaine Banks	J. Pat Thompson

Other Committee members attending:

Lois Clement	Robert Keller
Representative Conway	Senator Schoesler
Senator Fraser	David Westberg

Senator Pridemore, Chair, called the meeting to order at 1:35 p.m.

(1) Gain-sharing

Discussion followed.

This issue will be placed on the November Full Committee agenda.

The meeting adjourned at 2:47 p.m.

Select Committee on Pension Policy

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REGULAR EXECUTIVE COMMITTEE MEETING DRAFT MINUTES

September 19, 2006

The Select Committee on Pension Policy met in House Hearing Room C, Olympia, Washington on September 19, 2006.

Executive Committee members attending:

Senator Pridemore, Chair	Sandra Matheson
Representative Conway for	Glenn Olson
Representative Fromhold	J. Pat Thompson

Other Committee members attending:

Lois Clement	Bob Keller
Representative Crouse	Senator Mulliken
Senator Fraser	Senator Schoesler

Senator Pridemore, Chair, called the meeting to order at 1:05 p.m.

(A) Approval of Minutes

It was moved to approve the July 18, 2006 minutes. Seconded.

MOTION CARRIED

(B) Direction on Day's Agenda

- Recommendation to PFC
- \$150,000 death benefit
- Service credit purchase due to injury
- Judges benefit multiplier

Discussion followed.

(C) October Full Committee Meeting

- Pension Funding Council update
- Plan 1 funding method, subgroup recommendation
- OSA 07-09 budget request
- Dual membership
- Post-retirement employment
- Gain-sharing

***Elaine M. Banks**
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The above issues will be reported on at the Regular Committee meeting October 17, 2006.

There will be an Executive Committee meeting at 9:00 a.m., October 17, 2006 to review the OSA 07-09 budget request.

(D) State Actuary Evaluation/State Actuary Appointment Committee

Kelly Burkhart, Executive Assistant, explained the State Actuary Evaluation process. Discussion followed.

Chair Pridemore appointed Glenn Olson to replace Leland Goeke on the State Actuary Appointment Committee and take the lead on the state actuary evaluation process.

(E) Constituent Correspondence

Kelly Burkhart, Executive Assistant, reported on the "Constituent Correspondence."

The meeting adjourned at 3:05 p.m.

O:\SCPP\2006\10-17-06 Exec\Draft Minutes 9-19-06 meeting.wpd



Retired Firefighters of Washington

15310 163rd Ct. SE
Renton, WA 98058-8122
425-226-3793
rffow@attbi.com

Richard Warbrouck
President

Bob Burch
Secretary

October 16, 2006

The Honorable Senator Craig Pridemore
Chair, Select Committee on Pension Policy
PO Box 40449
Olympia, Washington 98504-6600

The Honorable Representative Bill Fromhold
Vice Chair, Select Committee on Pension Policy
PO Box 40600
Olympia, Washington 98504-0600

Mr. Matthew Smith, State Actuary
Office of the State Actuary
PO Box 40914
Olympia, Washington 98504-0914

Dear Senator Pridemore, Representative Fromhold and Mr. Smith,

Subject: Chapter 41.18 RCW Firemen's Relief and Pensions---1955 ACT

On behalf of the members of the Retired Firefighters of Washington I respectfully request that the Select Committee on Pension Policy consider an amendment to RCW 41.18.080 and RCW 41.18.100. to remove the remarriage penalty for the surviving spouse. Currently under RCW 41.18 there are three types of retirements. Each of these retirement classifications include a Survivor Benefit:

RCW 41.18.040 Retirement for Service

RCW 41.18.080 Retirement for disability not in the line of duty

RCW 41.18.100 Death in the line of duty or when retired with a service connected disability

Only RCW 41.18.040 Retirement for service allows the surviving spouse, most often a widow to continue to receive her pension if she remarries. RCW 41.18.080 and RCW

41.18.100 specifically state that the pension will be forfeited if and when the surviving spouse remarries.

As you can imagine this puts a surviving spouse in a very awkward situation:

1. Not to ever remarry
2. To remarry and forfeit her pension
3. To face a moral conflict and a choice to enter into a partner relationship which may put them in conflict with their religious faith and with members of their families

RCW 41.26 the LEOFF Law when passed also included a remarriage penalty provision. This statute was first amended to allow a surviving spouse to remarry without forfeiting their pension except for those who had dependent children.

RCW 41.26 was later amended to allow a surviving spouse with a dependent child to remarry without losing their pension, after it was pointed out that a surviving spouse with a disabled child would not be able to remarry for her entire life without losing her pension and in the event of HER death, the disabled child's pension.

I realize that the Committee has a very busy schedule and several issues on the agenda, but I believe this is a simple issue and the members can arrive at a decision without a prolonged debate.

I want to thank in advance for your consideration of this request.

Sincerely,



Richard C. Warbrouck

Hyde, Elizabeth

From: Cassandra de la Rosa [Cass@rpecwa.org]
Sent: Thursday, October 12, 2006 11:12 AM
To: Office State Actuary, WA
Subject: RPEC position on gain-sharing

To: Select Committee on Pension Policy
From: Cassandra de la Rosa, Executive Director
Re: RPEC Gain Sharing Position

Delegates to the Retired Public Employees Council of Washington annual convention met in Wenatchee September 25-27, 2006. As part of the proceedings, they passed Resolution B, establishing this organization's position on gain sharing for the coming year.

The resolution directs RPEC to "support the present gain-sharing system and demand that the Legislature fulfill its legal obligations to gain-sharing, and further demand that the Legislature fulfill its obligation to fully fund all public pension contribution rates."

November 1, 2006

RECEIVED

NOV 8 - 2006

Select Committee on Pension Policy
C/O The Office of the State Actuary
P. O. Box 40914
Olympia, WA 98504-0914

Office of
The State Actuary

Dear Honorable Members of the Select Committee on Pension Policy:

I would like to bring two topics regarding the PERS 1 Plan to your attention that I hope the Committee can work to develop legislation for as follows:

1. Allow a COLA at the time of retirement
2. Lift the 60% cap so those employees who work over 30 years will receive additional 2% credit for every year worked

Justification for Allowing a COLA

- PERS 1 employees already pay a higher percentage contribution than PERS 2 employees and have been doing so for a long time – actually both employee and employer.
- Currently, a PERS 1 employee has to wait until age 66 to receive their first COLA. Using myself as an example, for an employee who started in the system at age 18 and is eligible to retire at age 48, age 66 is a long time to wait for an increase in compensation. Should someone who has worked 30+ years have to wait another 18 years to turn age 66 to get any kind of increase? This would be like working at a job and never getting a raise for 18 years, which is not something one would typically choose to do.
- Additionally, the COLA at age 66 is figured by an odd formula – not a straight-forward “based on the Seattle CPI” way. It is a miniscule amount equaling this last year to \$38.70 per month.
- I could opt to take the reduced benefit in order to receive a COLA right away, but my benefit is then reduced by well over \$800 and would take about 10 years to make it back to what my original benefit would have been and another 8 years to make up what I have lost over the years -- just to choose the reduced benefit option in order to receive a COLA.
- By comparison, PERS 2 employees will receive their AFC and COLA at the time of retirement with no reduced benefit in order to receive a COLA.

Justification for Lifting the 60% CAP

- Simply put, and like PERS 2 or LEOFF 1, an employee should be able to receive credit for every year worked and the AFC should reflect this at the time of retirement.
- Was the cap part of the original development of PERS 1 or was it added in later?
- What was the idea behind not placing a cap on some of the other retirement plans?

Implementation Considerations

- If the two items are approved, I realize this will increase costs to the fund to provide these additional benefits to PERS 1 employees, but hasn't the fund benefited from our higher contributions that it makes sense to give a little more back to the employees? In the June, 2006 FTE News Magazine, longevity awards were given to employees who have 45, 40, and 35 years of service. These employees should be able to receive credit for their years of service reflected in their AFC as do employees of PERS 2 and LEOFF 1.

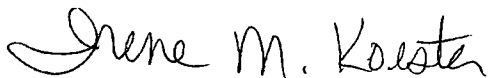
Select Committee on Pension Policy
November 1, 2006
Page Two

- The COLA could be implemented on a particular starting date, with the idea of going "day-forward." This would mean that even for those employees who have already retired, they could start receiving a COLA at the time of implementation. For those retirees who originally took the reduced benefit in order to receive a COLA at the time of their original retirement – they should be notified and given the option to switch back to their original AFC.
- Regarding lifting the 60% cap, current retirees should be able to have their retirement refigured if they have more than 30 years of service.
- With medical costs continuing to be on the rise, making this change would help retirees greatly.

I would like to be notified of the meeting date and time when the Committee will be addressing these issues so I and other PERS I members can plan to attend.

Thank you so much for your consideration of these issues. I know the Committee has made changes to some of the other Retirement Plans over the years, and it is my hope that the Committee will give careful consideration to this request. Please find the attached signature list of other PERS 1 employees who support this request.

Sincerely,



Irene M. Koester
PERS I Member
(360) 725-8464 – work
(360) 943-5994 – home

Attachment

Print Name	Signature	Eligible to Retire When?	Years of Service	Agency	Date Signed
Teresa A. Blanset	<i>Teresa A. Blanset</i>	2008	23+	DOC	10-25-06
Mary E. Christensen	<i>Mary E. Christensen</i>	2007	24	"	10/26/06
Sue M. Davis	<i>Sue M. Davis</i>	Aug 05	31+	"	10-26-06
Tim W. Delp	<i>Tim W. Delp</i>	Aug 05	32	"	
Jeanne-Marie Demille	<i>JMC Demille</i>	July 07	29+	"	10-25-06
Diane Dorland	<i>Diane Dorland</i>	Mar 2010	23	"	11-02-06
Carrie A. Fleming	<i>Carrie Fleming</i>	10-1-06	30+	"	11-1-06
Gary Fleming - retired	<i>Gary Fleming</i>	4-85	30+	"	11-1-06
Fay M. Foster	<i>Fay Foster</i>	Jan. '05	31	"	10-25-06
Barbara J. Johnson	<i>Barbara Johnson</i>	SEP 07	17	"	10-25-06
Janet S. Kiltoff	<i>Janet S. Kiltoff</i>	Nov 6	24	"	11/3/06
Irene M. Koester	<i>Irene M. Koester</i>	June 06	30+	"	10-24-06
Gloria J. Miller	<i>Gloria J. Miller</i>		18	"	10-24-06
John R. Nispel	<i>John R. Nispel</i>	Jan 06	29+	"	10/24/06
Shirley J. Pearson	<i>Shirley Pearson</i>	June 2011	15 1/2	"	10-24-06
Steve G. Robertson	<i>Steve G. Robertson</i>	July 2012	14 1/2	"	10-25-06
Marcia L. Sanchez	<i>Marcia Sanchez</i>	Sept 08	28	"	10-25-06
Tamara L. Schwender	<i>Tamara L. Schwender</i>	MAR 07	30	"	10-25-06
Jean M. Stewart					
Jerry E. Tauscher	<i>Jerry Tauscher</i>	July 2002	35	"	10/25/06
James E. Thatcher	<i>James E. Thatcher</i>	Nov 04, 01	34+	"	10/30/06
Debbie J. Thie (Debra)	<i>Debbie J. Thie</i>	Sept 07	29+	"	10/24/06
Mary W. Vanderhoof	<i>Mary W. Vanderhoof</i>	Jan 17	20+	"	10-24-06
Don A. Wilbrecht	<i>Don Wilbrecht</i>		6+	"	10-26-06
Jose R. Zuniga	<i>Jose R. Zuniga</i>	2019	6+	"	10/26/06
Gloria Morrison	<i>Gloria Morrison</i>	1 Jan 07	25	City of Oly	27 07 06
Greg Stolz	<i>Greg Stolz</i>	FEB 07	30	" " "	10-28-06
Carla Delducco				OFM	
Charlotte Alexander				L & I	
William (Bill) E. Hill				" "	
Kim S. Keifert	<i>Kim S. Keifert</i>	May 2010	26+	" "	10/31/06
Patti A. Moller	<i>Patti A. Moller</i>	AUG 07	24	" "	10/31/06
Leaora McDonald	<i>Leaora McDonald</i>	2001	23	DOC	11-2-06

From: Wil Brannon
To: actuary.state@leg.wa.gov
Date: 3/24/06 1:10PM
Subject: ATTENTION: SELECT COMMITTEE ON PENSION POLICY (SCPP) retire/rehire situation FOR WIL E. BRANNON

I hope someone will listen to my story and give me some direction. I retired in May of 2000 after almost 34 years with Pierce County Public Works.

In 2002, due to extreme medical problems with my wife, Linda, I found it necessary to return to work. I went through all the training offered by the unemployment office and started on a job search. As I read over job requirements I realized that I had only worked in one profession my whole life; Public Works. To make a long story short, I started applying for Public Works positions where I had the best qualifications. One of those applications went to an open "Interim" Public Works position at Lewis County. I competed for this temporary position and eventually was awarded the job, starting in March of 2003. This was a fair and competitive hiring process. I rented a small bachelor apartment in Chehalis, where I lived during the work week. I went home to Puyallup on weekends. In late July of 2003, the Lewis County Public Works Director and the Board of County Commissioners offered me this position on a permanent basis. I accepted the position in August of 2003. I was finally able to sell my home in Puyallup, and moved my family to Lewis County in November of 2004. Believe me, this was not a popular move with my two teenage daughters; but it was a direction we had to make in order to keep our family together. Now, due to legislative changes that happened after my retirement in 2000, I feel I am forced to make a career decision that I am really should not have to make. When I retired in 2000, the Pers 1 rehire laws placed loss of retirement benefits on any rehires after 1500 hours of employment per year in a Pers 1 position. There were no

restrictions as to how many years a person could continue to work under those guidelines. Then, in 2003, legislation was passed that further reduced the annual benefit limit from 1500 hours to 867 hours after three full-time years of employment in a Pers position. I ask to be "grand fathered" in to the retirement rehire guidelines that I retired under in the year 2000. I feel consideration for this request is warranted due to the following reasons:

1. When I retired in 2000, I had no intention of being rehired into a position in the Pers 1 Plan. My retirement contract was in good faith, but, medical conditions forced me back into the only position I was experienced in, as Public Works was my entire working life. I was able to perform immediately at a high level of efficiency in my new job.
2. These retirements benefits were earned and paid for by myself and my previous employer (Pierce County). My having to return to work should not have a bearing on previously earned benefits.
3. I competed for the new position fairly, having completed and submitted the job application and resume'. I also went through the interview and testing process.
4. For the first 20 months in the new position, many sacrifices were made by myself and my family. I mention this solely to put further emphasis on the fact that my return to work was a dire necessity, not a luxury.
5. There is also the political issue that came about, when former Governor Locke vetoed a similar law for all the "TERS 1" rehire/retire teachers and administrator. Why was that? That was a major hit on the Pers program members.
6. I feel like some form of my "Right to Work" privileges to get employment in the State of Washington have been taken away.
The number of public agencies where I could apply for positions that I

was qualified for was greatly reduced because the vast majority participate in the Pers programs.

7. I am aware that their may be people who have abused the system, but why not seek them out and correct them. I am sincere in being the best provider possible to my wife and my children. Again, I became a rehire due to family illnesses and necessities and I competed fairly for the position. I do not consider my request for reconsideration being grand fathered in to the retirement laws for the year that I retired. I would appreciate being contacted to give me some advice on what direction I should take my appeal.

PLEASE CORRECT ME IF I HAVE BEEN MIS-INFORMED ON ANY OF THE ABOVE INFORMATION.

WIL E. BRANNON
740 A LEUDINGHAUS ROAD
CHEHALIS, WA. 98532
HOME PHONE=360-291-0029
WORK PHONE=360-740-1384



Washington State School Retirees Association

4726 Pacific Ave. SE

Lacey, WA 98503-1216

• PHONE (360) 413-5496

Testimony before the Select Committee on Pension Policy

Re: Gain Sharing

October 17, 2006

Honorable Chair and Committee members, my name is Leslie Main. On behalf of the Washington State School Retirees' Association (WSSRA) I would like to express appreciation to you for the opportunity to once again offer testimony on the important issue of Gain Sharing.

In light of the long-awaited projected 2008 Gain Sharing distribution, it is the position of WSSRA that current Gain Sharing statute should be maintained. The need for Gain Sharing continues:

- ◆ Members of TRS/PERS 1 look forward to future Gain Sharing occasions to improve the Uniform Plan 1 COLA. The modest increases Gain Sharing provides to the Uniform COLA helps Plan 1 retirees, especially long-time retirees, with recovery of lost purchasing power and prevention of further erosion in the value of their pensions.
- ◆ Members of Plan 3 look forward to future Gain Sharing occasions to augment the value of their Defined Contribution accounts. When Plan 3 was established, Gain Sharing was represented as an integral component of the Plan 3 benefit design and was a major factor that prompted many members of Plan 2 to transfer to Plan 3.

As the SCPP considers development of another proposal for Gain Sharing replacement benefits, it is the position of WSSRA that any trade-off ratio proposed for the Plan 3 replacement benefits in excess of \$0.50 on the \$1 should also be used as the trade-off ratio for Plan 1 Gain Sharing replacement benefits. Additionally, WSSRA requests that, as with the SCPP's previous Gain Sharing replacement benefit proposals, any new proposal for Gain Sharing replacement benefits for Plan 1 should focus on improvement to the Uniform Plan 1 COLA.

WSSRA appreciates the SCPP's continuing consideration of issues related to Gain Sharing and looks forward to working with Committee members on this issue during the rest of this Interim and through the 2007 Session. Once again, thank you for the opportunity to testify on this important issue.

October 17, 2006

Jean Backman
4807 Center Lane N.E.
Olympia, WA 98516

wk: (360) 786-1303
hm: (360) 456-2126

SUBJECT: RETIRE/REHIRE – PERS 1

- PERS 1 retiree – retired effective May 1, 2002
- 31 years in state government, worked in various state agencies, last position a Human Resource Consultant 3 with Department of Personnel
- When I retired, retire/rehire law was 1,500 hours/yr. – approx. 9 months
- In 2003, **1 year after I retired**, law was changed to lifetime max. calculation - 867 total hours per year, **and made retroactive to include my retirement date**
- Living situation changed - expenses increased – had to return to full-time work. Adult children/grandchildren moved in due to change in their financial status, widowed mother-in-law w/dementia moved in.
- Current employer is WFSE, **a private, not-for-profit corporation**, but as a “labor organization”, is a PERS 1 employer.
- In May 2003, as soon as I learned about the change in the retirement law, wrote to Governor and various legislators – negative responses
- Change in retire/rehire law affected me beginning May 2006 (lifetime calculation)

- Result - retirement benefits are cut off end of May rather than end of September = **difference of 4 months = approx. \$10,800 additional loss per year** (already had a 3 month loss each year = \$8,100).
- Current law creates financial hardship
- Months not collecting Retirement = \$1,000 budget deficit/month. Pulling money from savings. Beginning 2007, will have to pull from Deferred Comp. account – 7 months each year. Only enough in Deferred Comp. for several years at the rate of \$1,000 a month. Will then be financially wiped out.
- **Cannot pursue any public sector employment without same effect:** any entity in PERS 1 system - State, County, City, Municipalities; some higher education institutions, community colleges, and local school districts with ties to PERS 1 (SERS?).
- **Options** – private sector? Have gone on interviews, lower pay, little or no health care benefits for employee and/or spouse. For husband, private pay, between \$500 - \$700 per month for health insurance. Any benefit realized by private sector employment wiped out by health care costs.
- **Unfairly penalized.** Did not return to old job in state government – did not have any “sweetheart deal” lined up. Had almost 5-month break between retirement and employment. Retired in good faith. Due to this law, am being treated unfairly and penalized for my years of public service.

GARY LOCKE
Governor



STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 753-6780 • www.governor.wa.gov

June 19, 2003

W J. Backman
1401 Marvin Rd NE #307-205
Lacey, WA 98516

Dear Jean:

Thank you for contacting the Office of the Governor regarding legislation passed this year by the Legislature. Governor Locke appreciates the time you took to let him know your thoughts on this matter. The legislative process is always enhanced when citizens take an active interest in shaping public policy.

This is truly a budget for hard times, and one that will require sacrifices from all of the people of our state. Many individuals and businesses are adjusting to the pressures of the economic downturn, and state government also must shoulder its share of the burden. By working together, we can meet our goals as a state and secure Washington's future.

Governor Locke has taken action on all the bills that passed the legislature and came to his desk this past session and during the special session. You can check on the final status of all bills passed this year at <http://www.governor.wa.gov/03leg/billact.htm> or by calling the Legislative Hotline at 1-800-562-6000.

Again, thank you for taking the time to contact the Office of the Governor.

Sincerely,

Office of the Governor
Constituent Services
<http://www.governor.wa.gov/contact/govemail.htm>

Enclosure





STATE OF WASHINGTON

OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 753-6780 • www.governor.wa.gov

May 20, 2003

To the Honorable Speaker and Members,
The House of Representatives of the State of Washington

Ladies and Gentlemen:

I am returning herewith, without my approval as to sections 1 and 2, Substitute House Bill No. 1829 entitled:

"AN ACT Relating to postretirement employment in the public employees' retirement system and the teachers' retirement system;"

This bill would impose new standards and procedures for rehiring members of the Teachers Retirement System and the Public Employees Retirement System who have retired from public employment.

I initially proposed the retire-rehire legislation in 2001 to address the shortage of qualified teachers and school administrators. Prior to this law, the Teachers Retirement System penalized experienced teachers by limiting them to 30 years of retirement service credit, even if they taught longer than that.

Section 1 would make it a felony for a member of the Teachers Retirement System to enter into an oral or written agreement to resume employment after retirement. While I appreciate the intent of the Legislature to prohibit employees and employers from entering into private handshake deals, the penalty in this section is significantly more severe than the penalty for similar acts committed by members of the Public Employees Retirement System. Therefore, I am vetoing section 1.

Section 2 would provide new standards and procedures for the future employment of retirees within the public school system. I strongly support those accountability provisions. However, section 2 would also place an artificial "lifetime limit" on the number of hours that a retired member of the system could work after being rehired, and would make that limit retroactive. The retroactive lifetime limit will place an unreasonable recruitment burden on school districts facing significant shortages of qualified teachers and principals. We must protect the ability of school districts to

provide for the education of our children, and trust their locally elected school boards to properly administer the retire-rehire law. Therefore, I am vetoing section 2.

While I am not vetoing Section 4, which would make it a gross misdemeanor for a member of the Public Employees Retirement System to enter into an oral or written agreement to resume employment after retirement, I am concerned that the language of the section is flawed and therefore almost impossible to prosecute under. I believe the Legislature should consider legislation to perfect the language to make the elements of the crime clear and to place the language into RCW 41.40.055, which is the section dealing with pension fraud for this retirement system.

For these reasons, I have vetoed sections 1 and 2 of Substitute House Bill No. 1829.

With the exception of sections 1 and 2, Substitute House Bill No. 1829 is approved.

Respectfully submitted,

Gary Locke
Governor

May 28, 2003

The Honorable Gary Locke
Governor of Washington
Office of the Governor
P.O. Box 40002
Olympia, WA 98504-0002

Dear Governor Locke:

SUBJECT: SUBSTITUTE HOUSE BILL NO. 1829 –
“AN ACT RELATING TO POSTRETIREMENT EMPLOYMENT IN
PUBLIC EMPLOYEES’ RETIREMENT SYSTEM...”

I am a PERS 1 retiree who is affected by the above-referenced bill, which you recently signed into law. I worked for state government for 31 years and believe I am entitled to my pension according to the rules under which I retired on May 1, 2002. This new law creates a financial hardship for me in that I made financial decisions (including building a new home) based upon the income I believed I would continue receiving.

Please note the following:

1. I did **not** return to work at my old job, nor any state nor local government agency. In fact, I **work for a private, non-profit, unincorporated association**. But because my new employer, the **Washington Federation of State Employees** is considered a PERS 1 employer, I fall under the new law.
2. I did **not** “line up” this job while working for the state. I retired only with the hope that I would be able to find another job to supplement my pension. I was unemployed for 5 months last year. I was accepted for a position with the Federation in September 2002.
3. I am **not** “bringing in the big bucks” like the high-level managers this new law is apparently intended to penalize. In fact, I am making approximately half what I made at my last job with the Department of Personnel (DOP). My annual Federation salary plus my 1,500-hour per year pension is roughly equivalent to my former DOP salary.
4. I **will** suffer a financial hardship if this law remains as written. I will very likely be unable to keep my home.

Governor Gary Locke
May 28, 2003
Page 2

5. I **was** an exemplary employee and a faithful servant of the people of the state of Washington for 31 years. I earned my pension and deserve to keep it according to the conditions under which I originally retired.

I beg you to reconsider your position and take the necessary steps to amend or repeal this law that unfairly penalizes "the little guy." Please focus on the intended target – the high-level managers and administrators who "cut deals" to continue in their previous jobs at substantially increased salaries.

Sincerely,

A handwritten signature in cursive script that reads "Jean Backman".

W. Jean Backman
1401 Marvin Road N.E., #307-205
Lacey, WA 98516

STATE REPRESENTATIVE
22nd DISTRICT
SAM HUNT
ASST. MAJORITY FLOOR LEADER

State of
Washington
House of
Representatives



CAPITAL BUDGET
VICE CHAIRMAN
AGRICULTURE & NATURAL RESOURCES
STATE GOVERNMENT
RULES

June 12, 2003

Ms. W. Jean Backman
1401 Marvin Rd NE, #307-205
Lacey, WA 98516

Dear Ms. Backman:

Thank you for your letter expressing the financial hardship you will face with the implementation of Substitute House Bill 1829, regarding regulation of postretirement employment for PERS Plan 1 and TRS Plan 1 members.

As you know, the intent of this legislation is to better regulate the retire-rehire process. This came about when several retirees abused the program and began receiving additional benefits from the current system. I sympathize with your situation. Unfortunately, the actions of a few have resulted in disadvantage for others.

SHB 1829 passed the House unanimously and was signed into law by the Governor, effective July 27, 2003. Governor Locke vetoed a portion of the bill addressing the teachers' retirement plan. The Legislature did not change this bill during the special sessions.

Thanks again for taking the time to share your views with me. I'm sorry that this legislation will cause you hardship.

Sincerely,

SAM HUNT
State Representative
22nd Legislative District

May 28, 2003

The Honorable Sam Hunt
House of Representatives
P.O. Box 40600
Olympia, WA 98504-0600

Dear Mr. Hunt:

SUBJECT: SUBSTITUTE HOUSE BILL NO. 1829 –
“AN ACT RELATING TO POSTRETIREMENT EMPLOYMENT IN
PUBLIC EMPLOYEES’ RETIREMENT SYSTEM...”

I am a PERS 1 retiree who is affected by the above-referenced bill, which was recently signed into law. I worked for state government for 31 years and believe I am entitled to my pension according to the rules under which I retired on May 1, 2002. This new law creates a financial hardship for me in that I made financial decisions (including building a new home) based upon the income I believed I would continue receiving.

Please note the following:

1. I did **not** return to work at my old job, nor any state nor local government agency. In fact, I **work for a private, non-profit, unincorporated association.** But because my new employer, the **Washington Federation of State Employees** is considered a PERS 1 employer, I fall under the new law.
2. I did **not** “line up” this job while working for the state. I retired only with the hope that I would be able to find another job to supplement my pension. I was unemployed for 5 months last year. I was accepted for a position with the Federation in September 2002.
3. I am **not** “bringing in the big bucks” like the high-level managers this new law is apparently intended to penalize. In fact, I am making approximately half what I made at my last job with the Department of Personnel (DOP). My annual Federation salary plus my 1,500-hour per year pension is roughly equivalent to my former DOP salary.
4. I **will** suffer a financial hardship if this law remains as written. I will very likely be unable to keep my home.

Mr. Sam Hunt
May 28, 2003
Page 2

5. I **was** an exemplary employee and a faithful servant of the people of the state of Washington for 31 years. I earned my pension and deserve to keep it according to the conditions under which I originally retired.

I beg you to take the necessary steps to amend or repeal this law that unfairly penalizes "the little guy." Please focus on the intended target – the high-level managers and administrators who "cut deals" to continue in their previous jobs at substantially increased salaries.

Sincerely,



W. Jean Backman
1401 Marvin Road N.E., #307-205
Lacey, WA 98516

STATE REPRESENTATIVE
22nd DISTRICT
SANDRA ROMERO

State of
Washington
House of
Representatives



LOCAL GOVERNMENT
CHAIR
TECHNOLOGY,
TELECOMMUNICATIONS & ENERGY
TRANSPORTATION

CAPITOL FURNISHINGS
PRESERVATION COMMITTEE
CO-CHAIR

LEGISLATIVE BUILDING
PRESERVATION AND
RENOVATION COMMISSION

LEGISLATIVE TRANSPORTATION
COMMITTEE

June 6, 2003

W. Jean Backman
1401 Marvin Road NE #307-205
Lacey, WA 98516

Dear Ms. Backman:

Thank you for your letter letting me know you opposed HB 1829, Regulating Postretirement Employment. I appreciated hearing from you and can certainly appreciate your frustration with this legislation.

As you know, the bill did pass and was delivered to the Governor. The Governor signed the bill, but vetoed Sections 1 and 2; sections that deal with teachers and the public school system. A copy of the veto message is enclosed for your information.

I am sorry this legislation will have such a bad result for you. Unfortunately, the actions of a few taking advantage of the situation have had a detrimental affect on others. I wish we could have found another way to correct the situation.

Again, thank you for contacting me. I hope you'll call or write again if you have other concerns or questions. I'd like to hear from you.

Sincerely,

Sandra Romero
Representative
22nd District

VETO MESSAGE ON HB 1829-S

May 20, 2003

To the Honorable Speaker and Members,
The House of Representatives of the State of Washington

Ladies and Gentlemen:

I am returning herewith, without my approval as to sections 1 and 2, Substitute House Bill No. 1829 entitled:

"AN ACT Relating to postretirement employment in the public employees' retirement system and the teachers' retirement system;"

This bill would impose new standards and procedures for rehiring members of the Teachers Retirement System and the Public Employees Retirement System who have retired from public employment.

I initially proposed the retire-rehire legislation in 2001 to address the shortage of qualified teachers and school administrators. Prior to this law, the Teachers Retirement System penalized experienced teachers by limiting them to 30 years of retirement service credit, even if they taught longer than that.

Section 1 would make it a felony for a member of the Teachers Retirement System to enter into an oral or written agreement to resume employment after retirement. While I appreciate the intent of the Legislature to prohibit employees and employers from entering into private handshake deals, the penalty in this section is significantly more severe than the penalty for similar acts committed by members of the Public Employees Retirement System. Therefore, I am vetoing section 1.

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While I am not vetoing Section 4, which would make it a gross misdemeanor for a member of the Public Employees Retirement System to enter into an oral or written agreement to resume employment after retirement, I am concerned that the language of the section is flawed and therefore almost impossible to prosecute under. I believe the Legislature should consider legislation to perfect the language to make the elements of the crime clear and to place the language into RCW 41.40.055, which is the section dealing with pension fraud for this retirement system.

For these reasons, I have vetoed sections 1 and 2 of Substitute

House Bill No. 1829.

With the exception of sections 1 and 2, Substitute House Bill No. 1829 is approved.

Respectfully submitted,
Gary Locke
Governor

May 28, 2003

The Honorable Sandra Romero
House of Representatives
P.O. Box 40600
Olympia, WA 98504-0600

Dear Ms. Romero:

SUBJECT: SUBSTITUTE HOUSE BILL NO. 1829 –
“AN ACT RELATING TO POSTRETIREMENT EMPLOYMENT IN
PUBLIC EMPLOYEES’ RETIREMENT SYSTEM...”

I am a PERS 1 retiree who is affected by the above-referenced bill, which was recently signed into law. I worked for state government for 31 years and believe I am entitled to my pension according to the rules under which I retired on May 1, 2002. This new law creates a financial hardship for me in that I made financial decisions (including building a new home) based upon the income I believed I would continue receiving.

Please note the following:

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2. I did **not** “line up” this job while working for the state. I retired only with the hope that I would be able to find another job to supplement my pension. I was unemployed for 5 months last year. I was accepted for a position with the Federation in September 2002.
3. I am **not** “bringing in the big bucks” like the high-level managers this new law is apparently intended to penalize. In fact, I am making approximately half what I made at my last job with the Department of Personnel (DOP). My annual Federation salary plus my 1,500-hour per year pension is roughly equivalent to my former DOP salary.
4. I **will** suffer a financial hardship if this law remains as written. I will very likely be unable to keep my home.

Ms. Sandra Romero
May 28, 2003
Page 2

5. I **was** an exemplary employee and a faithful servant of the people of the state of Washington for 31 years. I earned my pension and deserve to keep it according to the conditions under which I originally retired.

I beg you to take the necessary steps to amend or repeal this law that unfairly penalizes "the little guy." Please focus on the intended target – the high-level managers and administrators who "cut deals" to continue in their previous jobs at substantially increased salaries.

Sincerely,



W. Jean Backman
1401 Marvin Road N.E., #307-205
Lacey, WA 98516

May 28, 2003

The Honorable Karen Fraser
The State Senate
P.O. Box 40422
Olympia, WA 98504-0422

10/10/03
10/10/03

Dear Senator Fraser:

SUBJECT: SUBSTITUTE HOUSE BILL NO. 1829 –
“AN ACT RELATING TO POSTRETIREMENT EMPLOYMENT IN
PUBLIC EMPLOYEES’ RETIREMENT SYSTEM...”

I am a PERS 1 retiree who is affected by the above-referenced bill, which was recently signed into law. I worked for state government for 31 years and believe I am entitled to my pension according to the rules under which I retired on May 1, 2002. This new law creates a financial hardship for me in that I made financial decisions (including building a new home) based upon the income I believed I would continue receiving.

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4. I **will** suffer a financial hardship if this law remains as written. I will very likely be unable to keep my home.

Senator Karen Fraser
May 28, 2003
Page 2

5. I **was** an exemplary employee and a faithful servant of the people of the state of Washington for 31 years. I earned my pension and deserve to keep it according to the conditions under which I originally retired.

I beg you to take the necessary steps to amend or repeal this law that unfairly penalizes "the little guy." Please focus on the intended target – the high-level managers and administrators who "cut deals" to continue in their previous jobs at substantially increased salaries.

Sincerely,



W. Jean Backman
1401 Marvin Road N.E., #307-205
Lacey, WA 98516

Proposed 2007 SCPP Interim Dates

January - August 2007

JANUARY						
S	M	T	W	T	F	S
	Holiday	2	3	4	5	6
7	8	9	10	11	12	13
14	Holiday	SCPP	SIB?	18	19	20
21	22	23	L2B	25	26	27
28	29	30	31			

Session - January 8 - April 22

LEOFF 2 Board - January 24th

SIB - January 17th

FEBRUARY						
S	M	T	W	T	F	S
				1	2	3
4	5	Election	7	8	9	10
11	SCPP	SCPP	14	15	16	17
18	19	Holiday	SIB?	22	23	24
25	26	27	L2B			

Election (Special District) - February 6

LEOFF 2 Board - February 28th

SIB - February 21st

MARCH						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	Election	14	15	16	17
18	SCPP	SCPP	SIB?	22	23	24
25	26	27	L2B	29	30	31

Elections (Special District) - March 13

LEOFF 2 Board - March 28th

SIB - March 21st

APRIL						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	SCPP	SCPP	SIB?	19	20	21
22	23	Election	L2B	26	27	28
29	30					

Elections (Special District) - April 24

LEOFF 2 Board - April 25th

SIB - April 18th

MAY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	Election	JLARC? / SIB	17	18	19
20	SCPP	SCPP	23	24	25	26
27	Holiday	29	L2B	31		

Elections (Special District) - May 15

LEOFF 2 Board - May 30th

JLARC / SIB - May 16th

JUNE						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	SCPP	SCPP	SIB?	21	22	23
24	25	26	JLARC?	28	29	30

SCPP / LEOFF 2 Board - June 19th

SIB - June 20th

JLARC - June 27th

JULY						
S	M	T	W	T	F	S
1	2	3	Holiday	5	6	7
8	9	10	11	12	13	14
15	SCPP	SCPP	JLARC? / SIB	19	20	21
22	23	24	L2B	26	27	28
29	30	31				

LEOFF 2 Board - July 25th

JLARC / SIB - July 18th

AUGUST						
S	M	T	W	T	F	S
			1	2	NCSL	NCSL
NCSL	NCSL	NCSL	NCSL	NCSL	10	11
12	SCPP	SCPP	JLARC? / SIB	16	17	18
19	20	Election	L2B	23	24	25
26	27	28	29	30	31	

NCSL Conference - Boston, MA - August 3-9

Election (Primary) - August 21

LEOFF 2 Board - August 22nd

JLARC / SIB - August 15th

September - December 2007

SEPTEMBER						
S	M	T	W	T	F	S
						1
2	Holiday	4	5	6	7	8
9	10	11	12	13	14	15
16	SCPP	SCPP	JLARC? / SIB	20	21	22
23	24	25	L2B	27	28	29
30						

LEOFF 2 Board - September 26th

JLARC / SIB - September 19th

OCTOBER						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	SCPP	SCPP	JLARC? / SIB	18	19	20
21	22	23	L2B	25	26	27
28	29	30	31			

LEOFF 2 Board - October 24th

JLARC / SIB - October 17th

NOVEMBER						
S	M	T	W	T	F	S
				1	2	3
4	5	Election	7	8	Holiday	10
11	Holiday	SCPP	SCPP	15	16	17
18	19	20	SIB?	Holiday	Holiday	24
25	26	27	JLARC / L2B	29	30	

Election (General) - November 6

JLARC / LEOFF 2 Board - November 28th

SIB - November 21st

DECEMBER						
S	M	T	W	T	F	S
						1
2	3	4	JLARC?	6	7	8
9	10	11	12	13	14	15
16	SCPP	SCPP	SIB?	20	21	22
23	24	Holiday	26	27	28	29
30	31					

SCPP / LEOFF 2 Board - December 18th

JLARC - December 5th

SIB - December 19th

Proposed 2007 SCPP Meeting Schedule

Full & Executive Meeting Dates (Tuesdays)

January 16th
 February 13th
 March 20th
 April 17th
 May 22nd
 June 19th
 July 17th
 August 14th
 September 18th
 October 16th
 November 13th
 December 18th

Subgroup Dates (Mondays)*

January - No meeting scheduled
 February 12th
 March 19th
 April 16th
 May 21st
 June 18th
 July 16th
 August 13th
 September 17th
 October 15th
 November 14th* (Wednesday)
 December 17th

Select Committee on Pension Policy

Actuary Performance Evaluation

(November 12, 2003)

The State Actuary Appointment Committee has the statutory authority to review the performance and make adjustments to the pay of the State Actuary. The State Actuary Appointment Committee consists of:

- Chairs and ranking minority members of the Senate Ways and Means Committee and the House Appropriations Committee; plus
- Four members of the Select Committee on Pension Policy (SCPP) appointed jointly by the Chair and Vice Chair of the SCPP.

The SCPP Executive Committee will conduct a review of the State Actuary's performance and relay it to the State Actuary Appointment Committee with recommendations for pay adjustments, as deemed appropriate. The review will take place at least once every two employment anniversaries of the State Actuary or as requested by the Chair of the SCPP.

In conducting the review, the Executive Committee of the SCPP or their designee will:

- Review the statutory responsibilities of the Office of the State Actuary (OSA);
- Request a self-performance evaluation, including future goals and development activities from the State Actuary;
- Develop a list of feedback sources which may include OSA staff, SCPP members, Directors of the Department of Retirement Systems and Office of Financial Management, Chairs and/or staff of the legislative fiscal committees and the Executive Director of the LEOFF 2 Board;
- Solicit written feedback from feedback sources;
- Meet with the State Actuary to share feedback and overall performance evaluation.
- Relay the results of the performance evaluation and any recommendations regarding performance and/or pay adjustments to the members of the State Actuary Appointment Committee.

In Brief

ISSUE

The issue before the executive committee is whether to forward a legislative proposal for any of the following suggested changes to dual membership as studied by the SCPP during the 2006 interim:

- 1. Amend the definition of base salary.*
- 2. Ease restrictions under the maximum benefit rule.*
- 3. Allow dual members to combine service from LEOFF 2 to receive the indexed term-vested benefit.*
- 4. Allow inactive dual members in the WSPRS to retire as active members.*

Laura Harper
Senior Research Analyst,
Legal
360.786.6145
harper.laura@leg.wa.gov

Dual Membership

History of the Issue

The Select Committee on Pension Policy (SCPP) studied dual membership during the 2006 interim in response to a request from the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Board. The SCPP received a full briefing on the issue at its regular meeting in June, 2006. After the meeting the executive committee directed staff to price four proposals related to dual membership and bring the results back to the full SCPP.

Each of the four proposals would mitigate an adverse impact of changing retirement systems during the course of a public employee's career. The changes and their associated fiscal impacts were presented at the October meeting; however, the executive committee did not further consider them at that time.

This matter was carried forward from October's executive committee agenda. The decision for the executive committee is whether to forward a legislative proposal for any of the suggested changes previously presented to the SCPP.

Recap of Proposals

1. Allow any payments defined as "earnable compensation" in each of a member's retirement systems to be included within the definition of "base salary" for portability purposes.

Policy Impact: As a practical matter, this will mostly apply to overtime because overtime is included within the definition for all systems. This change will allow members to use all compensation for which contributions have been made to be used in the final benefit calculation. The risk of pension "spiking" using overtime is mitigated by salary averaging, which is already in place in the various retirement plans.

Fiscal Impact: This change would increase employer contribution rates by 0.01 percent for the Public Employees' Retirement System (PERS) and 0.02 percent for Washington State Patrol Retirement System (WSPRS).

Employer costs in PERS and WSPRS would increase by \$1.2 million in the 2007-2009 biennium and \$11.5 million over the next 25 years.

2. Lift portability's "maximum benefit rule" for dual members who have a) less than 15 years of service in one capped plan; and b) service in one uncapped plan.

Policy Impact: This change is consistent with the estoppel rule. Restricting this to members with less than 15 years of service in the capped plan provides a safeguard against members "gaming" the system; however, the change could lead to additional requests for exceptions to the "maximum benefit rule".

Fiscal Impact: The increase in liabilities is insufficient to impact the contribution rate in any system.

3. Add LEOFF 2 to the list of plans that are able to combine service under portability to receive indexing of the term-vested benefit for members with at least 20 years of service.

Policy Impact: The indexed term-vested benefit is found in the Plans 3 and LEOFF 2. Plan 3 dual members can already combine service to receive this benefit. This change creates consistency in the treatment of all dual members eligible for this benefit and corrects an apparent statutory oversight.

Fiscal Impact: The increase in liabilities is insufficient to impact the contribution rate in any system.

4. Treat dual members who are inactive in WSPRS 1 as active members for portability purposes (meaning they can retire at 55 instead of 60).

Policy Impact: This is already done for PERS 1, the other retirement system that has earlier retirement for active members than for inactive members. This change creates consistency in the way dual members are treated in systems with different retirement ages for active and inactive members.

Fiscal Impact: This change would increase employer contribution rates in WSPRS by .09 percent. Employer costs would increase by \$0.1 million in the 2007-2009 biennium and \$1.6 million over the next 25 years.

Total Fiscal Impact: If all four changes are made, the employer contribution rate would increase 0.01 percent for PERS and 0.11 percent for WSPRS. Employer costs would increase by \$1.3 million in the 2007-2009 biennium and \$13.1 million over the next 25 years.

Summary

Each of the four proposals removes an adverse impact on a public employee when changing retirement systems. Two would affect contribution rates (#1, base salary definition and #4, inactive retirement age). Two would not affect contribution rates (#2, maximum benefit rule and #3, indexed term-vested benefit).

Next Steps

If the executive committee wishes to recommend one or more of the four proposals to the legislature during the 2007 legislative session, it should direct staff to prepare draft legislation and a draft fiscal note for the full SCPP's consideration at the December meeting.

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Dual Membership

Laura Harper, Senior Research Analyst

November 21, 2006



History Of Issue

- LEOFF 2 Board request
- Full briefing in June
- Direction from executive committee
 - Price proposals
 - Bring back to full SCPP
- Four proposals with pricing presented to full SCPP in October
- No executive committee action taken



Four Proposals

- Amend “base salary” definition
 - Include payments reportable in both systems
- Ease restrictions under maximum benefit rule
 - Lift for members with less than 15 years in one capped plan and service in one uncapped plan
- Grant LEOFF 2 members the ability to combine service for indexed term-vested benefit
- Treat dual members who are inactive in WSPRS as active for portability purpose



OSA

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2

Summary

- Each proposal removes one adverse impact of changing retirement systems
- Two would affect employer contribution rates
 - Base salary: 0.01% increase for PERS and 0.02% increase for WSPRS
 - Inactive vs. active: 0.09% increase for WSPRS
- Two proposals would not affect rates
 - Maximum benefit rule
 - Indexed term-vested benefit



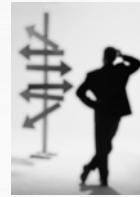
OSA

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Next Steps

- Direction from executive committee
- If one or more changes to dual membership are recommended:
 - Staff prepares bill draft
 - Draft fiscal note is prepared
 - Any final proposal would be considered at December meeting





WASHINGTON STATE PATROL TROOPERS ASSOCIATION

200 UNION AVE. SE STE. 200, OLYMPIA, WA 98501 (360) 704-7530 FAX (360) 704-7527

COPY

November 14, 2006

The Honorable Craig Pridemore, Chair
Select Committee on Pension Policy
5419 NE Chateau Drive
Vancouver, WA 98661

Dear Senator Pridemore,

It has come to our attention that the Select Committee on Pension Policy is considering two portability issues affecting the Washington State Patrol Retirement System. The first is a LEOFF 2 Board proposal that would include overtime in the base salary of the WSPRS portion for employees that have left the state patrol and subsequently entered the LEOFF 2 system. We are told that this change would cause a .02% increase in the contribution rate of current WSPRS members and the employer. The members of the Washington State Patrol Troopers Association are OPPOSED to this change at this time.

The second portability issue involves "active member status for former WSPRS members that leave the system before retirement eligibility and enter PERS 2" and establishes dual membership. An active WSPRS member can retire at age 55, however in inactive member can only exercise a retire option at age 60. To change this policy the active WSPRS members and employers contribution rate would be increased by .09%. The members of the Washington State Patrol Troopers Association are OPPOSED to this change as well.

We appreciate the work of the SCPP on the WSPRS Rate Stabilization bill and look forward to seeing that measure once again recommended to the 2007 Legislature. Rate stabilization is the number one priority policy issue for the members of the Troopers Association. We would like to see this policy approved by the legislature before any further costly changes to the system are introduced.

Thank you for your consideration.

Sincerely,

Tom Pillow
President

Cc: Representative Bill Fromhold



WASHINGTON STATE LEGISLATURE
Office of the State Actuary

November 16, 2006

Sent via email and hardcopy as meeting materials

Select Committee on Pension Policy

RE: Judges Benefit Multiplier Buy-Back Cost

Dear Members:

In a recent request to the Select Committee on Pension Policy (SCPP), the Superior Court Judges' Association (SCJA) asked the SCPP to revisit the Judges Benefit Multiplier issue – in particular, the method of determining the cost of purchasing the increased benefit multiplier for past judicial service. Under the current law, a Judge is required to pay the actuarial equivalent value of the increase in their benefit when purchasing the higher multiplier for past judicial service. The SCJA has proposed an alternative method for such purchases; a buy-back method based on 5 percent of salary (equivalent to the combined member and employer Judicial Retirement Account Plan (JRA) contributions) compounded at 8 percent interest (the actuarially assumed rate of return on the plan assets). This communication will set forth the cost of this buy-back method.

Since 1988, judges have been members of the Public Employees' Retirement System (PERS) and have accrued retirement benefits at 2 percent of Average Final Compensation (AFC) for each year of service with no limit on their maximum benefit. In the 2005 interim, the SCPP heard a proposal from the SCJA to allow judges to earn a defined benefit pension with an accrual of 3.5 percent of AFC per year to a maximum benefit equal to 75 percent of AFC. This benefit would cover all judges including District Court, Municipal Court, Superior Court, Court of Appeals, and Supreme Court justices. It was also proposed that judges be allowed to purchase the increased benefit multiplier for past judicial service. This proposal was intended to have no cost to employers or the state; any costs related to the increased multiplier, prospective or retroactive, were to be borne by the judges themselves.

State-employed Judges – Superior Court, Court of Appeals, and Supreme Court – would be able to partially fund the proposed benefit increase by redirecting moneys that had previously been used to fund the JRA, a defined contribution supplement available to state-employed judges, into which members and employers each contributed 2.5 percent of pay.

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The *Judges Benefit Multiplier* legislation, which was sponsored by the SCPP, passed during the 2006 session and provided for the proposed benefit increases beginning January 1, 2007. Judges who choose to participate in the enhanced benefits, and newly elected or appointed judges, will pay for these benefits with increased contribution rates. Even though state-employed judges will be able to redirect JRA contributions, the redirection of those contributions alone are not enough to pay for the increased benefit multiplier.

In August of this year, the Office of the State Actuary (OSA) prepared annuity purchase factors for the Department of Retirement Systems for use in calculating the actuarial equivalent value of the increased benefit multiplier for past judicial service. These factors were based on an annuity purchase method – the only method, in our opinion, that is actuarially equivalent and cost neutral to the employers and the State.

In contrast, the alternative buy-back method for purchasing the higher multiplier for past judicial service would have a cost to the plans because the judges would not bear the entire cost of the benefit increase themselves; the cost to the plans would be the aggregated difference between what judges would pay under the original annuity purchase method and what they would pay under the alternative buy-back method.

To calculate the total liability of the buy-back proposal we first calculated the actuarial value of the service credit accrual purchase under the provisions of the current law for each member. From this value was subtracted the total cost of purchasing the higher accrual for each year of service at five percent of the member’s salary at the time the service credit was earned (Plan 3 members were calculated at two and a half percent of salary per year) accumulated at eight percent interest per year. Based on these actuarial assumptions and methods, the increase in the actuarial present value of projected benefits in PERS is \$20 million, \$9 million of which is the increase in PERS 1 Unfunded Actuarial Accrued Liability (UAAL), and \$11 million of which is the increase in the PERS 2/3 present value of future benefits.

<i>(Dollars in Millions)</i>	Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to all Current Members)	\$30,601	\$20	\$30,621
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	\$3,567	\$9	\$3,576
Unfunded Liability (PBO) (The Value of the Total Commitment to all Current Members Attributable to Past Service)	\$828	\$20	\$848

Under current funding policy, this increased liability is shared by the member receiving the benefit and the entire PERS population, both members and employers. The liability increase to the System results in the following contribution rate increases (effective September 1, 2007):

System/Plan	PERS
Current Members	
Employee (Plan 2)	0.01%
Employer	0.02%

As a result of the higher required contribution rates, the increase in expenditures for the 2007-2009 biennium is projected to be \$0.6 million in general fund state (GFS) and \$3.1 million for all employers. The increase in expenditures over 25-years would be \$7.0 million in GFS and \$38.0 million for all employers.

There would also be a PERS 2 member impact as a result of this buy-back method. Employee costs would increase by \$0.9 million in the 2007-2009 biennium and \$9.1 million over 25 years.

Judges' Buy-Back - Projected Costs (in Millions)	
	Total
2007-2009	
State:	
General Fund	\$0.6
Non-General Fund	<u>0.7</u>
Total State	1.3
Local Government	<u>1.8</u>
Total Employer	3.1
Total Employee	\$0.9
2007-2032	
State:	
General Fund	\$7.0
Non-General Fund	<u>8.4</u>
Total State	15.4
Local Government	<u>22.6</u>
Total Employer	38.0
Total Employee	\$9.1

Under the proposed buy-back method, participating judges would pay for 59 percent of the total cost of the benefit increase, and other PERS 2 members and all PERS employers would pay for the remaining 41 percent of the cost. Were participating judges to pay a higher contribution rate, they would pay a greater portion of the cost of the proposed benefit increase.

Data used in these calculations were from the 2005 Actuarial Valuation, the office of the Administrator of the Courts (AOC), the annuity purchase factors for the 2006 legislation, and the fiscal note for SHB 2691 from the 2006 legislative session.

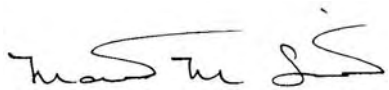
The methods and assumptions chosen are reasonable for the purpose of the actuarial calculations presented in this letter. Use of another set of assumptions and methods may also be reasonable and might produce different results.

This letter has been prepared exclusively for use by the SPCP during the 2006 interim. Any third-party recipient of this work product is advised to seek professional guidance concerning its content and interpretation and should not rely upon this communication in the absence of such professional guidance. Any distribution of this letter must be in its entirety, unless prior consent is obtained from the Office of the State Actuary.

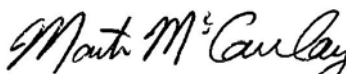
The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

We appreciate the opportunity to provide this information and would be happy to answer any questions you may have.

Sincerely,



Matthew M. Smith, FCA, EA, MAAA
State Actuary



Martin McCaulay, FSA, EA, MAAA
Senior Pension Actuary

Attachments:

- Appendix A – Actuarial Determinations
- Appendix B – Actuarial Methods
- Appendix C – Actuarial Assumptions
- Appendix D – Data
- Appendix E – Sensitivity Analysis
- Appendix F – Other Disclosures/Glossary

Appendix A

Actuarial Determinations

The proposal will impact the actuarial funding of the system by increasing the present value of benefits payable under the system and the required actuarial contribution rate as shown below:

<i>(Dollars in Millions)</i>	System/Plan Option	Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to all Current Members)	PERS	\$30,601	\$20	\$30,621
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	PERS	\$3,567	\$9	\$3,576
Unfunded Liability (PBO) (The Value of the Total Commitment to all Current Members Attributable to Past Service)	PERS	\$828	\$20	\$848

The Present Value of Fully Projected Benefits (PVFB) liability increase is relative to the current law where the value of the service credit purchase is calculated using annuity purchase factors on an individual member basis and the full actuarial cost is paid completely by the member receiving the benefit. Under this proposal, the liability for purchasing the service credit at the higher multiplier is shared by the member receiving the benefit and the entire PERS population, both members and employers. The average cost to the PERS population per member receiving a benefit is approximately \$44,500. This is based on the approximate count of 439 judges eligible to purchase the higher accrual rate. While the average cost to the plan per judge is about \$45,000 for the total purchase, the distribution of costs per year of service credit purchased tends to be much higher for older judges and much lower for younger judges.

The liability increase to the System results in the following contribution rate increases:

Increase in Contribution Rates: (Effective 9/1/2007)			
System/Plan	PERS 1	PERS 2/3	Total
Current Members			
Employee (Plan 2)	0.00%	0.01%	0.01%
Employer	0.01%	0.01%	0.02%
New Entrants			
Employee (Plan 2)	0.00%	0.00%	0.00%
Employer	0.00%	0.00%	0.00%

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Appendix A

Judges' Buy-Back - Projected Costs				
Costs (in Millions)	PERS	PSERS	SERS	Total
2007-2009				
State:				
General Fund	\$0.4	\$0.0	\$0.2	\$0.6
Non-General Fund	<u>0.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.7</u>
Total State	1.1	0.0	0.2	1.3
Local Government	<u>1.6</u>	<u>0.0</u>	<u>0.2</u>	<u>1.8</u>
Total Employer	2.7	0.0	0.4	3.1
Total Employee	\$0.9	\$0.0	\$0.0	\$0.9
2009-2011				
State:				
General Fund	\$0.4	\$0.0	\$0.2	\$0.6
Non-General Fund	<u>0.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.8</u>
Total State	1.2	0.0	0.2	1.4
Local Government	<u>1.9</u>	<u>0.0</u>	<u>0.2</u>	<u>2.1</u>
Total Employer	3.1	0.0	0.4	3.5
Total Employee	\$1.0	\$0.0	\$0.0	\$1.0
2007-2032				
State:				
General Fund	\$4.8	\$0.4	\$1.8	\$7.0
Non-General Fund	<u>8.4</u>	<u>0.0</u>	<u>0.0</u>	<u>8.4</u>
Total State	13.2	0.4	1.8	15.4
Local Government	<u>20.1</u>	<u>0.0</u>	<u>2.5</u>	<u>22.6</u>
Total Employer	33.3	0.4	4.3	38.0
Total Employee	\$9.1	\$0.0	\$0.0	\$9.1

These liabilities, rate changes, and resulting fiscal impacts are estimations based on the data available at the time the calculations were performed. The calculations were developed using assumptions based on past experience and our best judgment about future expectations. The Department of Retirement Systems (DRS) will perform the actual calculations using complete individual data.

Appendix B

Actuarial Methods

To calculate the total liability to PERS resulting from judges buying back their service credit at a higher annual accrual at a subsidized rate, we first calculated the actuarial value of the service credit accrual purchase under the provisions of the current law (Chapter 189, Laws of 2006) for each member. From this value we subtracted the total cost of purchasing the higher accrual for each year of service at 5 percent of the member's salary at the time the service credit was earned. To estimate the member's salary at previous years, we discounted their current salary by 3 percent per year. Plan 3 members were charged 2.5 percent of salary per year instead of 5.0 percent per year. For all plans, we accumulated the cost associated with the purchase of the extra accrual for individual years of service credit with 8 percent interest per year to find the present value of the service credit buy-back.

For example, a judge purchasing the higher accrual rate for their two most recent years of service (whether they could purchase more years of service is not relevant to this example) would have the present value of those years calculated under the buy-back method as follows. Given a salary of \$125,000 for the last 12 months, the present value of the first year would be 0.05 times \$125,000, or \$6,250. The value of the second year would be 0.05 times \$121,359, or \$6,067.95. The present value of this amount would be 1.08 times \$6,067.95, or \$6,553.39, which is the original value accumulated with interest at 8.0 percent. The salary for the second year was calculated as the salary for the first year discounted at 3.0 percent: \$125,000 divided by 1.03, or \$121,359. The total cost to the given judge for purchasing the higher accrual rate for their two most recent years of service would be the sum of the present values for the individual years, or \$12,803.39.

The cost to PERS, in this example, would be determined using the purchase factor, which corresponds to the age of the given judge, times the judge's final average salary times the 24 months for which the higher accrual rate was purchased. From this value would be subtracted the amount charged to the member. The remainder would be liability paid by PERS. The total liability is the sum of the individual liabilities and is paid by PERS employers and Plan 2 members. Under current funding policy, for PERS 1 members this liability would be spread over the salaries of all PERS, SERS and PSERS members. For members of Plan 2 or Plan 3, the liability would be spread over the salaries of just PERS members.

Appendix C

Actuarial Assumptions

We were able to match data for 169 out of the 209 state-employed judges who are members of PERS in the 2005 valuation data. We do not have any data for the district or municipal judges; therefore, we assumed the count of 230 district and municipal judges from the fiscal note for SHB 2691 from the 2006 session was still valid. We assumed the district and municipal judges would have similar proportions of age and service combinations as the state judges; the result of which is that the total liability for all judges is a simple ratio increase applied to the liability for the group of state judges for whom we did have data. We relied upon data from the Administrative Office of the Courts (AOC) indicating there are 209 state judges who would be eligible to purchase a higher accrual rate for their past service.

We assumed that individual judges had PERS service that was earned before they became a judge. We assumed that the judges in Plan 1 had 61 percent of their total PERS service as a judge and that judges in Plan 2 or Plan 3 had 50 percent of their total PERS service as a judge. We assumed the higher accrual rate would be purchased for all eligible years as a judge. We assumed judicial salaries have increased by 3 percent per year. These assumptions were developed during the pricing done for the current judicial service credit purchase law (Chapter 189, Laws of 2006). We assumed the Plan 1 and Plan 2 judges would pay 5 percent of their salary per year of service for the higher accrual rate. We assumed the salary used to calculate the 5 percent per year of service would vary by year depending on the actual salary for an individual judge for the specific years that the additional accrual rate is being purchased. We assumed members for whom the accrual purchase would be cheaper under current law would not participate in the buy-back. There were five state judges who met this criterion, all of whom are in Plan 3.

These assumptions are based on past experience and our best judgment about future expectations. In the case of the assumptions taken from the development of the current annuity purchase factors, full descriptions for their selection can be found in our communication with DRS dated July 26, 2006.

Appendix D

Data

The members impacted by this proposal are state, district, and municipal judges who are members of PERS. We were able to match data for 169 judges in the 2005 valuation data out of the 209 state judges identified by the AOC who would be able to participate in the proposed buy-back. We also used data and results from the calculation of the annuity purchase factors for the 2006 legislation.

We relied on the data from the 2005 Actuarial Valuation, data from the fiscal note for SHB 2691 from the 2006 legislative session, and on data from the AOC. We also used the annuity purchase factors developed to implement Chapter 189, Laws of 2006.

Appendix E

Sensitivity Analysis

The current proposal, with the member paying 5 percent per year of service or 2.5 percent per year of service in Plan 3, results in a cost sharing of 59 percent for the judge and 41 percent for PERS 2 members and all PERS employers. The resulting liability increases would be about \$9 million to the Plan 1 UAAL and about \$11 million to the Plan 2/3 PVFB. If the 5 percent assumption were decreased to 4 percent per year of service for Plan 1 and 2 members, and 2 percent per year of service for Plan 3 members, the cost sharing would be about 47 percent for the judge and 53 percent for PERS 2 members and all PERS employers. The resulting liability increases would be about \$12 million to the Plan 1 UAAL and about \$14 million to the Plan 2/3 PVFB. If the 5 percent assumption were increased to 6 percent per year of service for Plan 1 and 2 members, and 3 percent per year of service for Plan 3 members, the cost sharing would be about 70 percent for the judge and 30 percent for PERS 2 members and all PERS employers. The resulting liability increases would be about \$6 million to the Plan 1 UAAL and about \$8 million to the Plan 2/3 PVFB.

Other Disclosures/Glossary

Statement of Data and Assumptions Used In Preparing the Fiscal Costs for This Letter:

The costs presented in this letter are based on our understanding of the request as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2005, preliminary actuarial valuation report of the Public Employees' Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the system will vary from those presented in the valuation report or this letter to the extent that actual experience differs from that projected by the actuarial assumptions.
3. The analysis of this request does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
4. These fiscal costs are intended for use only during the 2006 Legislative Interim.
5. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
6. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.
7. Entry age normal cost rate increases are used to determine the increase in funding expenditures for future new entrants. Aggregate rate increases are used to calculate the increase in funding expenditures for current plan members.

Glossary of Actuarial Terms:

Actuarial accrued liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

In Brief

The issue before the executive committee is whether to forward to the full SCPP recommended legislation for technical corrections to the retirement system statutes. These corrections, which have been identified by the Department of Retirement Systems (DRS), are necessitated by changes to Washington's public pension law in recent years. They include the addition of appropriate cross-references and other updates needed for consistency with the recent changes. The majority of corrections concern implementation of the new Public Safety Employees' Retirement System (PSERS).

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 Senior Research Analyst,
 Legal
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Technical Corrections

Sectional Analysis

Section	RCW Amended	Provision
1	6.15.020	Re: Personal property exemptions: add reference to PSERS.
2	41.32.835	Re: Consolidation of local government unit and first class city retirement system: add references to PSERS.
3	41.04.440	Re: Employer pick-up of member contributions: add references to SERS and PSERS.
4	41.04.445	Re: Employer pick-up of member contributions: add reference to PSERS.
5	New 41.04.450	Re: Employer pick-up of member contributions: add reference to PSERS.
6	41.05.320	Re: Benefits contribution plan, HCA: add references to SERS and PSERS.
7	41.24.400	Re: Enrollment of reserve officers: add references to SERS and PSERS.
8	41.26.195	Re: LEOFF service credit transfers from other retirement systems: add reference to PSERS.
9	41.31A.020	Re: Plan 3 Gain-sharing: update vesting requirements for consistency with new law.
10	41.37.010	Re: PSERS definitions: correct an error in a cross-reference under (6)(b)(iv) and update definition of "eligible position" under (22) for consistency with definition of member.
11	41.45.203	Re: TRS contribution rates for justices and judges: update for consistency.

Bill Draft

Attached

Fiscal Impact

No fiscal impact is anticipated. A draft fiscal note will be provided at the December meeting if favorable action is taken.

O:\SCPP\2006\11-21-06 Exec\G. technical corrections.doc

1 AN ACT Relating to technical corrections in the public retirement
2 systems; amending RCW 6.15.020, 41.04.410, 41.04.440, 41.04.445,
3 41.04.450, 41.05.320, 41.24.400, 41.26.195, 41.31A.020, 41.37.010, and
4 41.45.203.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 6.15.020 and 1999 c 81 s 1 are each amended to read as
7 follows:

8 (1) It is the policy of the state of Washington to ensure the well-
9 being of its citizens by protecting retirement income to which they are
10 or may become entitled. For that purpose generally and pursuant to the
11 authority granted to the state of Washington under 11 U.S.C. Sec.
12 522(b)(2), the exemptions in this section relating to retirement
13 benefits are provided.

14 (2) Unless otherwise provided by federal law, any money received by
15 any citizen of the state of Washington as a pension from the government
16 of the United States, whether the same be in the actual possession of
17 such person or be deposited or loaned, shall be exempt from execution,
18 attachment, garnishment, or seizure by or under any legal process

1 whatever, and when a debtor dies, or absconds, and leaves his or her
2 family any money exempted by this subsection, the same shall be exempt
3 to the family as provided in this subsection. This subsection shall
4 not apply to child support collection actions issued under chapter
5 26.18, 26.23, or 74.20A RCW, if otherwise permitted by federal law.

6 (3) The right of a person to a pension, annuity, or retirement
7 allowance or disability allowance, or death benefits, or any optional
8 benefit, or any other right accrued or accruing to any citizen of the
9 state of Washington under any employee benefit plan, and any fund
10 created by such a plan or arrangement, shall be exempt from execution,
11 attachment, garnishment, or seizure by or under any legal process
12 whatever. This subsection shall not apply to child support collection
13 actions issued under chapter 26.18, 26.23, or 74.20A RCW if otherwise
14 permitted by federal law. This subsection shall permit benefits under
15 any such plan or arrangement to be payable to a spouse, former spouse,
16 child, or other dependent of a participant in such plan to the extent
17 expressly provided for in a qualified domestic relations order that
18 meets the requirements for such orders under the plan, or, in the case
19 of benefits payable under a plan described in sections 403(b) or 408 of
20 the internal revenue code of 1986, as amended, or section 409 of such
21 code as in effect before January 1, 1984, to the extent provided in any
22 order issued by a court of competent jurisdiction that provides for
23 maintenance or support. This subsection shall not prohibit actions
24 against an employee benefit plan, or fund for valid obligations
25 incurred by the plan or fund for the benefit of the plan or fund.

26 (4) For the purposes of this section, the term "employee benefit
27 plan" means any plan or arrangement that is described in RCW 49.64.020,
28 including any Keogh plan, whether funded by a trust or by an annuity
29 contract, and in sections 401(a) or 403(a) of the internal revenue code
30 of 1986, as amended; or that is a tax-sheltered annuity described in
31 section 403(b) of such code or an individual retirement account
32 described in section 408 of such code; or a Roth individual retirement
33 account described in section 408A of such code; or a medical savings
34 account described in section 220 of such code; or an education
35 individual retirement account described in section 530 of such code; or
36 a retirement bond described in section 409 of such code as in effect

1 before January 1, 1984. The term "employee benefit plan" also means
2 any rights accruing on account of money paid currently or in advance
3 for purchase of tuition units under the advanced college tuition
4 payment program in chapter 28B.95 RCW. The term "employee benefit
5 plan" shall not include any employee benefit plan that is established
6 or maintained for its employees by the government of the United States,
7 by the state of Washington under chapter 2.10, 2.12, 41.26, 41.32,
8 41.34, 41.35, 41.37, 41.40 or 43.43 RCW or RCW 41.50.770, or by any
9 agency or instrumentality of the government of the United States.

10 (5) An employee benefit plan shall be deemed to be a spendthrift
11 trust, regardless of the source of funds, the relationship between the
12 trustee or custodian of the plan and the beneficiary, or the ability of
13 the debtor to withdraw or borrow or otherwise become entitled to
14 benefits from the plan before retirement. This subsection shall not
15 apply to child support collection actions issued under chapter 26.18,
16 26.23, or 74.20A RCW, if otherwise permitted by federal law. This
17 subsection shall permit benefits under any such plan or arrangement to
18 be payable to a spouse, former spouse, child, or other dependent of a
19 participant in such plan to the extent expressly provided for in a
20 qualified domestic relations order that meets the requirements for such
21 orders under the plan, or, in the case of benefits payable under a plan
22 described in sections 403(b) or 408 of the internal revenue code of
23 1986, as amended, or section 409 of such code as in effect before
24 January 1, 1984, to the extent provided in any order issued by a court
25 of competent jurisdiction that provides for maintenance or support.

26 (6) Unless contrary to applicable federal law, nothing contained in
27 subsection (3), (4), or (5) of this section shall be construed as a
28 termination or limitation of a spouse's community property interest in
29 an individual retirement account held in the name of or on account of
30 the other spouse, the account holder spouse. At the death of the
31 nonaccount holder spouse, the nonaccount holder spouse may transfer or
32 distribute the community property interest of the nonaccount holder
33 spouse in the account holder spouse's individual retirement account to
34 the nonaccount holder spouse's estate, testamentary trust, inter vivos
35 trust, or other successor or successors pursuant to the last will of
36 the nonaccount holder spouse or the law of intestate succession, and

1 that distributee may, but shall not be required to, obtain an order of
2 a court of competent jurisdiction, including a nonjudicial dispute
3 resolution agreement entered into pursuant to *RCW 11.96.170 or other
4 order entered under chapter 11.96A RCW, to confirm the distribution.
5 For purposes of subsection (3) of this section, the distributee of the
6 nonaccount holder spouse's community property interest in an individual
7 retirement account shall be considered a person entitled to the full
8 protection of subsection (3) of this section. The nonaccount holder
9 spouse's consent to a beneficiary designation by the account holder
10 spouse with respect to an individual retirement account shall not,
11 absent clear and convincing evidence to the contrary, be deemed a
12 release, gift, relinquishment, termination, limitation, or transfer of
13 the nonaccount holder spouse's community property interest in an
14 individual retirement account. For purposes of this subsection, the
15 term "nonaccount holder spouse" means the spouse of the person in whose
16 name the individual retirement account is maintained. The term
17 "individual retirement account" includes an individual retirement
18 account and an individual retirement annuity both as described in
19 section 408 of the internal revenue code of 1986, as amended, a Roth
20 individual retirement account as described in section 408A of the
21 internal revenue code of 1986, as amended, and an individual retirement
22 bond as described in section 409 of the internal revenue code as in
23 effect before January 1, 1984. As used in this subsection, an order of
24 a court of competent jurisdiction includes an agreement, as that term
25 is used under RCW 11.96A.220.

26 **Sec. 2.** RCW 41.04.410 and 1984 c 184 s 24 are each amended to read
27 as follows:

28 If a consolidated employer is a participating member in the public
29 employees' retirement system under chapter 41.40 RCW prior to the
30 consolidation or in the public safety employees' retirement system
31 under chapter 41.37 RCW prior to the consolidation:

32 (1) All existing employees of the consolidated employer who are
33 active members of the public employees' or public safety employees'
34 retirement system immediately prior to the consolidation shall continue

1 to be members of that retirement system while employed by the
2 consolidated employer.

3 (2) All existing employees of the consolidated employer who are
4 active members of a first class city retirement system under chapter
5 41.28 RCW immediately prior to the consolidation shall cease to be
6 members of that system at the time of the consolidation and, if
7 eligible, shall immediately become members of the public employees' or
8 public safety employees' retirement system. However, any such active
9 member may, by a writing filed with the consolidated employer within
10 thirty days after the consolidation or within thirty days after March
11 15, 1984, whichever is later, irrevocably elect instead to continue to
12 be a member of the first class city retirement system, thereby forever
13 waiving any rights under the public employees' or public safety
14 employees' retirement system based upon employment with the
15 consolidated employer.

16 (3) Only prospective periods of qualifying service under the public
17 employees' or public safety employees' retirement system may be
18 established under this section.

19 **Sec. 3.** RCW 41.04.440 and 2000 c 247 s 1101 are each amended to
20 read as follows:

21 (1) The sole purpose of RCW 41.04.445 and 41.04.450 is to allow the
22 members of the retirement systems created in chapters 2.10, 2.12,
23 41.26, 41.32, 41.35, 41.37, 41.40, 41.34, and 43.43 RCW to enjoy the
24 tax deferral benefits allowed under 26 U.S.C. 414(h). Chapter 227,
25 Laws of 1984 does not alter in any manner the provisions of RCW
26 41.45.060, 41.45.061, and 41.45.067 which require that the member
27 contribution rates shall be set so as to provide fifty percent of the
28 cost of the respective retirement plans.

29 (2) Should the legislature revoke any benefit allowed under 26
30 U.S.C. 414(h), no affected employee shall be entitled thereafter to
31 receive such benefit as a matter of contractual right.

1 **Sec. 4.** RCW 41.04.445 and 2000 c 247 s 1102 are each amended to
2 read as follows:

3 (1) This section applies to all members who are:

4 (a) Judges under the retirement system established under chapter
5 2.10, 2.12, or 2.14 RCW;

6 (b) Employees of the state under the retirement system established
7 by chapter 41.32, 41.37, 41.40, or 43.43 RCW;

8 (c) Employees of school districts under the retirement system
9 established by chapter 41.32 or 41.40 RCW, except for substitute
10 teachers as defined by RCW 41.32.010;

11 (d) Employees of educational service districts under the retirement
12 system established by chapter 41.32 or 41.40 RCW; or

13 (e) Employees of community college districts under the retirement
14 system established by chapter 41.32 or 41.40 RCW.

15 (2) Only for compensation earned after the effective date of the
16 implementation of this section and as provided by section 414(h) of the
17 federal internal revenue code, the employer of all the members
18 specified in subsection (1) of this section shall pick up only those
19 member contributions as required under:

20 (a) RCW 2.10.090(1);

21 (b) RCW 2.12.060;

22 (c) RCW 2.14.090;

23 (d) RCW 41.32.263;

24 (e) RCW 41.32.350;

25 (f) RCW 41.40.330 (1) and (3);

26 (g) RCW 41.45.061 and 41.45.067;

27 (h) RCW 41.34.070;

28 (i) *RCW 43.43.300; and

29 (j) RCW 41.34.040.

30 (3) Only for the purposes of federal income taxation, the gross
31 income of the member shall be reduced by the amount of the contribution
32 to the respective retirement system picked up by the employer.

33 (4) All member contributions to the respective retirement system
34 picked up by the employer as provided by this section, plus the accrued
35 interest earned thereon, shall be paid to the member upon the

1 withdrawal of funds or lump-sum payment of accumulated contributions as
2 provided under the provisions of the retirement systems.

3 (5) At least forty-five days prior to implementing this section,
4 the employer shall provide:

5 (a) A complete explanation of the effects of this section to all
6 members; and

7 (b) Notification of such implementation to the director of the
8 department of retirement systems.

9 **Sec. 5.** RCW 41.04.450 and 2003 c 294 s 1 are each amended to read
10 as follows:

11 (1) Employers of those members under chapters 41.26, 41.34, 41.35,
12 41.37, and 41.40 RCW who are not specified in RCW 41.04.445 may choose
13 to implement the employer pick up of all member contributions without
14 exception under RCW 41.26.080(1)(a), 41.26.450, 41.40.330(1),
15 41.45.060, 41.45.061, and 41.45.067 and chapter 41.34 RCW. If the
16 employer does so choose, the employer and members shall be subject to
17 the conditions and limitations of RCW 41.04.445 (3), (4), and (5) and
18 RCW 41.04.455.

19 (2) An employer exercising the option under this section may later
20 choose to withdraw from and/or reestablish the employer pick up of
21 member contributions only once in a calendar year following forty-five
22 days prior notice to the director of the department of retirement
23 systems.

24 **Sec. 6.** RCW 41.05.320 and 1995 1st sp.s. c 6 s 13 are each amended
25 to read as follows:

26 (1) Elected officials and all permanent employees of the state are
27 eligible to participate in the benefits contribution plan and
28 contribute amount(s) by agreement with the authority. The authority
29 may adopt rules to permit participation in the plan by temporary
30 employees of the state.

31 (2) Persons eligible under subsection (1) of this section may enter
32 into benefits contribution agreements with the state.

1 (3)(a) In the initial year of the medical flexible spending
2 arrangement or cafeteria plan, if authorized, an eligible person may
3 become a participant after the adoption of the plan and before its
4 effective date by agreeing to have a portion of his or her gross salary
5 contributed and deposited into a health care and other benefits account
6 to be used for reimbursement of expenses covered by the plan.

7 (b) After the initial year of the medical flexible spending
8 arrangement or cafeteria plan, if authorized, an eligible person may
9 become a participant for a full plan year, with annual benefit
10 selection for each new plan year made before the beginning of the plan
11 year, as determined by the authority, or upon becoming eligible.

12 (c) Once an eligible person elects to participate and the amount of
13 gross salary that he or she shall contribute and the benefit for which
14 the funds are to be used during the plan year is determined, the
15 agreement shall be irrevocable and may not be amended during the plan
16 year except as provided in (d) of this subsection. Prior to making an
17 election to participate in the benefit[s] contribution plan, the
18 eligible person shall be informed in writing of all the benefits and
19 contributions that will occur as a result of such election.

20 (d) The authority shall provide in the benefits contribution plan
21 that a participant may enroll, terminate, or change his or her election
22 after the plan year has begun if there is a significant change in a
23 participant's status, as provided by 26 U.S.C. Sec. 125 and the
24 regulations adopted under that section and defined by the authority.

25 (4) The authority shall establish as part of the benefits
26 contribution plan the procedures for and effect of withdrawal from the
27 plan by reason of retirement, death, leave of absence, or termination
28 of employment. To the extent possible under federal law, the authority
29 shall protect participants from forfeiture of rights under the plan.

30 (5) Any contribution under the benefits contribution plan shall
31 continue to be included as reportable compensation for the purpose of
32 computing the state retirement and pension benefits earned by the
33 employee pursuant to chapters 41.26, 41.32, 41.35, 41.37, 41.40, and
34 43.43 RCW.

1 **Sec. 7.** RCW 41.24.400 and 1999 c 148 s 31 are each amended to read
2 as follows:

3 (1) Except as provided in subsection (2) of this section, any
4 municipality may make provision by appropriate legislation and payment
5 of fees required by RCW 41.24.030(1) solely for the purpose of enabling
6 any reserve officer to enroll under the retirement pension provisions
7 of this chapter or fees required under RCW 41.24.030(1) to pay for the
8 costs of extending the relief provisions of this chapter to its reserve
9 officers.

10 (2) A reserve officer is not eligible to receive a benefit under
11 the retirement provisions of this chapter for service under chapter
12 41.26, 41.32, 41.35, 41.37, or 41.40 RCW.

13 (3) Every municipality shall make provisions for the collection and
14 payment of the fees required under this chapter, and shall continue to
15 make provisions for all reserve officers who come under this chapter as
16 long as they continue to be employed as reserve officers.

17 (4) Except as provided under RCW 41.24.450, a reserve officer is
18 not eligible to receive a benefit under the relief provisions of this
19 chapter.

20 **Sec. 8.** RCW 41.26.195 and 2003 c 294 s 2 are each amended to read
21 as follows:

22 Any member of the teachers' retirement system plans 1, 2, or 3, the
23 public employees' retirement system plans 1, 2, or 3, the public safety
24 employees' retirement system plan 2, the school employees' retirement
25 system plans 2 or 3, or the Washington state patrol retirement system
26 plans 1 or 2 who has previously established service credit in the law
27 enforcement officers' and fire fighters' retirement system plan 1 may
28 make an irrevocable election to have such service transferred to their
29 current retirement system and plan subject to the following conditions:

30 (1) If the individual is employed by an employer in an eligible
31 position, as of July 1, 1997, the election to transfer service must be
32 filed in writing with the department no later than July 1, 1998. If
33 the individual is not employed by an employer in an eligible position,
34 as of July 1, 1997, the election to transfer service must be filed in

1 writing with the department no later than one year from the date they
2 are employed by an employer in an eligible position.

3 (2) An individual transferring service under this section forfeits
4 the rights to all benefits as a member of the law enforcement officers'
5 and fire fighters' retirement system plan 1 and will be permanently
6 excluded from membership.

7 (3) Any individual choosing to transfer service under this section
8 will have transferred to their current retirement system and plan: (a)
9 All the individual's accumulated contributions; (b) an amount
10 sufficient to ensure that the employer contribution rate in the
11 individual's current system and plan will not increase due to the
12 transfer; and (c) all applicable months of service, as defined in RCW
13 41.26.030(14)(a).

14 (4) If an individual has withdrawn contributions from the law
15 enforcement officers' and fire fighters' retirement system plan 1, the
16 individual may restore the contributions, together with interest as
17 determined by the director, and recover the service represented by the
18 contributions for the sole purpose of transferring service under this
19 section. The contributions must be restored before the transfer can
20 occur and the restoration must be completed within the time limitations
21 specified in subsection (1) of this section.

22 (5) Any service transferred under this section does not apply to
23 the eligibility requirements for military service credit as defined in
24 RCW 41.40.170(3) or 43.43.260(3).

25 (6) If an individual does not meet the time limitations of
26 subsection (1) of this section, the individual may elect to restore any
27 withdrawn contributions and transfer service under this section by
28 paying the amount required under subsection (3)(b) of this section less
29 any employee contributions transferred.

30 **Sec. 9.** Unless repealed during the 2007 legislative session, RCW
31 41.31A.020 and 2003 c 294 s 4 are each amended to read as follows:

32 (1) On January 1, 2004, and on January 1st of even-numbered years
33 thereafter, the member account of a person meeting the requirements of

1 this section shall be credited by the extraordinary investment gain
2 amount.

3 (2) The following persons shall be eligible for the benefit
4 provided in subsection (1) of this section:

5 (a) Any member of the teachers' retirement system plan 3, the
6 Washington school employees' retirement system plan 3, or the public
7 employees' retirement system plan 3 who earned service credit during
8 the twelve-month period from September 1st to August 31st immediately
9 preceding the distribution and had a balance of at least one thousand
10 dollars in their member account on August 31st of the year immediately
11 preceding the distribution; or

12 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875,
13 41.35.680, or 41.40.820; or

14 (c) Any person who is a retiree pursuant to RCW 41.34.020(8) and
15 who:

16 (i) Completed ten service credit years; or

17 (ii) Completed five service credit years, including twelve service
18 months after attaining age (~~(fifty)~~)forty-four; or

19 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and
20 who has completed five service credit years by July 1, 1996, under plan
21 2 and who transferred to plan 3 under RCW 41.32.817; or

22 (e) Any classified employee who is a retiree pursuant to RCW
23 41.34.020(8) and who has completed five service credit years by
24 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;
25 or

26 (f) Any public employee who is a retiree pursuant to RCW
27 41.34.020(8) and who has completed five service credit years by March
28 1, 2002, and who transferred to plan 3 under RCW 41.40.795; or

29 (g) Any person who had a balance of at least one thousand dollars
30 in their member account on August 31st of the year immediately
31 preceding the distribution and who:

32 (i) Completed ten service credit years; or

33 (ii) Completed five service credit years, including twelve service
34 months after attaining age (~~(fifty)~~)forty-four; or

35 (h) Any teacher who had a balance of at least one thousand dollars
36 in their member account on August 31st of the year immediately

1 preceding the distribution and who has completed five service credit
2 years by July 1, 1996, under plan 2 and who transferred to plan 3 under
3 RCW 41.32.817; or

4 (i) Any classified employee who had a balance of at least one
5 thousand dollars in their member account on August 31st of the year
6 immediately preceding the distribution and who has completed five
7 service credit years by September 1, 2000, and who transferred to plan
8 3 under RCW 41.35.510; or

9 (j) Any public employee who had a balance of at least one thousand
10 dollars in their member account on August 31st of the year immediately
11 preceding the distribution and who has completed five service credit
12 years by March 1, 2002, and who transferred to plan 3 under RCW
13 41.40.795.

14 (3) The extraordinary investment gain amount shall be calculated as
15 follows:

16 (a) One-half of the sum of the value of the net assets held in
17 trust for pension benefits in the teachers' retirement system combined
18 plan 2 and 3 fund, the Washington school employees' retirement system
19 combined plan 2 and 3 fund, and the public employees' retirement system
20 combined plan 2 and 3 fund at the close of the previous state fiscal
21 year not including the amount attributable to member accounts;

22 (b) Multiplied by the amount which the compound average of
23 investment returns on those assets over the previous four state fiscal
24 years exceeds ten percent;

25 (c) Multiplied by the proportion of:

26 (i) The sum of the service credit on August 31st of the previous
27 year of all persons eligible for the benefit provided in subsection (1)
28 of this section; to

29 (ii) The sum of the service credit on August 31st of the previous
30 year of:

31 (A) All persons eligible for the benefit provided in subsection (1)
32 of this section;

33 (B) Any person who earned service credit in the teachers'
34 retirement system plan 2, the Washington school employees' retirement
35 system plan 2, or the public employees' retirement system plan 2 during

1 the twelve-month period from September 1st to August 31st immediately
2 preceding the distribution;

3 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765,
4 41.35.420, or 41.40.630; and

5 (D) Any person with five or more years of service in the teachers'
6 retirement system plan 2, the Washington school employees' retirement
7 system plan 2, or the public employees' retirement system plan 2;

8 (d) Divided proportionally among persons eligible for the benefit
9 provided in subsection (1) of this section on the basis of their
10 service credit total on August 31st of the previous year.

11 (4) The legislature reserves the right to amend or repeal this
12 section in the future and no member or beneficiary has a contractual
13 right to receive this distribution not granted prior to that time.

14 **Sec. 10.** RCW 41.37.010 and 2006 c 309 s 2 are each amended to
15 read as follows:

16 The definitions in this section apply throughout this chapter,
17 unless the context clearly requires otherwise.

18 (1) "Retirement system" means the Washington public safety
19 employees' retirement system provided for in this chapter.

20 (2) "Department" means the department of retirement systems
21 created in chapter 41.50 RCW.

22 (3) "State treasurer" means the treasurer of the state of
23 Washington.

24 (4) "Employer" means the Washington state department of
25 corrections, the Washington state parks and recreation commission,
26 the Washington state gambling commission, the Washington state
27 patrol, and the Washington state liquor control board; any county
28 corrections department; any city corrections department not covered
29 under chapter 41.28 RCW; or other employers employing statewide
30 elective officials.

31 (5) "Member" means any employee employed by an employer on a
32 full-time basis:

33 (a) Who is in a position that requires completion of a certified
34 criminal justice training course and is authorized by their employer

1 to arrest, conduct criminal investigations, enforce the criminal laws
2 of the state of Washington, and carry a firearm as part of the job;

3 (b) Whose primary responsibility is to ensure the custody and
4 security of incarcerated or probationary individuals as a corrections
5 officer, probation officer, or jailer;

6 (c) Who is a limited authority Washington peace officer, as
7 defined in RCW 10.93.020, for an employer; or

8 (d) Whose primary responsibility is to supervise members eligible
9 under this subsection.

10 (6)(a) "Compensation earnable" for members, means salaries or
11 wages earned by a member during a payroll period for personal
12 services, including overtime payments, and shall include wages and
13 salaries deferred under provisions established pursuant to sections
14 403(b), 414(h), and 457 of the United States internal revenue code,
15 but shall exclude nonmoney maintenance compensation and lump sum or
16 other payments for deferred annual sick leave, unused accumulated
17 vacation, unused accumulated annual leave, or any form of severance
18 pay.

19 (b) "Compensation earnable" for members also includes the
20 following actual or imputed payments, which are not paid for personal
21 services:

22 (i) Retroactive payments to an individual by an employer on
23 reinstatement of the employee in a position, or payments by an
24 employer to an individual in lieu of reinstatement, which are awarded
25 or granted as the equivalent of the salary or wage which the
26 individual would have earned during a payroll period shall be
27 considered compensation earnable to the extent provided in this
28 subsection, and the individual shall receive the equivalent service
29 credit;

30 (ii) In any year in which a member serves in the legislature, the
31 member shall have the option of having such member's compensation
32 earnable be the greater of:

33 (A) The compensation earnable the member would have received had
34 such member not served in the legislature; or

35 (B) Such member's actual compensation earnable received for
36 nonlegislative public employment and legislative service combined.

1 Any additional contributions to the retirement system required
2 because compensation earnable under (b)(ii)(A) of this subsection is
3 greater than compensation earnable under (b)(ii)(B) of this
4 subsection shall be paid by the member for both member and employer
5 contributions;

6 (iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,
7 and 72.09.240;

8 (iv) Compensation that a member would have received but for a
9 disability occurring in the line of duty only as authorized by RCW
10 (~~41.37.070~~) 41.37.060;

11 (v) Compensation that a member receives due to participation in
12 the leave sharing program only as authorized by RCW 41.04.650 through
13 41.04.670; and

14 (vi) Compensation that a member receives for being in standby
15 status. For the purposes of this section, a member is in standby
16 status when not being paid for time actually worked and the employer
17 requires the member to be prepared to report immediately for work, if
18 the need arises, although the need may not arise.

19 (7) "Service" means periods of employment by a member on or after
20 July 1, 2006, for one or more employers for which compensation
21 earnable is paid. Compensation earnable earned for ninety or more
22 hours in any calendar month shall constitute one service credit
23 month. Compensation earnable earned for at least seventy hours but
24 less than ninety hours in any calendar month shall constitute one-
25 half service credit month of service. Compensation earnable earned
26 for less than seventy hours in any calendar month shall constitute
27 one-quarter service credit month of service. Time spent in standby
28 status, whether compensated or not, is not service.

29 Any fraction of a year of service shall be taken into account in
30 the computation of such retirement allowance or benefits.

31 (a) Service in any state elective position shall be deemed to be
32 full-time service.

33 (b) A member shall receive a total of not more than twelve
34 service credit months of service for such calendar year. If an
35 individual is employed in an eligible position by one or more
36 employers the individual shall receive no more than one service

1 credit month during any calendar month in which multiple service for
2 ninety or more hours is rendered.

3 (8) "Service credit year" means an accumulation of months of
4 service credit which is equal to one when divided by twelve.

5 (9) "Service credit month" means a month or an accumulation of
6 months of service credit which is equal to one.

7 (10) "Membership service" means all service rendered as a member.

8 (11) "Beneficiary" means any person in receipt of a retirement
9 allowance or other benefit provided by this chapter resulting from
10 service rendered to an employer by another person.

11 (12) "Regular interest" means such rate as the director may
12 determine.

13 (13) "Accumulated contributions" means the sum of all
14 contributions standing to the credit of a member in the member's
15 individual account, including any amount paid under RCW 41.50.165(2),
16 together with the regular interest thereon.

17 (14) "Average final compensation" means the member's average
18 compensation earnable of the highest consecutive sixty months of
19 service credit months prior to such member's retirement, termination,
20 or death. Periods constituting authorized leaves of absence may not
21 be used in the calculation of average final compensation except under
22 RCW 41.37.290.

23 (15) "Final compensation" means the annual rate of compensation
24 earnable by a member at the time of termination of employment.

25 (16) "Annuity" means payments for life derived from accumulated
26 contributions of a member. All annuities shall be paid in monthly
27 installments.

28 (17) "Pension" means payments for life derived from contributions
29 made by the employer. All pensions shall be paid in monthly
30 installments.

31 (18) "Retirement allowance" means monthly payments to a retiree
32 or beneficiary as provided in this chapter.

33 (19) "Employee" or "employed" means a person who is providing
34 services for compensation to an employer, unless the person is free
35 from the employer's direction and control over the performance of

1 work. The department shall adopt rules and interpret this subsection
2 consistent with common law.

3 (20) "Actuarial equivalent" means a benefit of equal value when
4 computed upon the basis of such mortality and other tables as may be
5 adopted by the director.

6 (21) "Retirement" means withdrawal from active service with a
7 retirement allowance as provided by this chapter.

8 (22) "Eligible position" means any permanent, full-time(~~(, fully~~
9 ~~compensated)~~) position included in subsection (5) of this section.

10 (23) "Ineligible position" means any position which does not
11 conform with the requirements set forth in subsection (22) of this
12 section.

13 (24) "Leave of absence" means the period of time a member is
14 authorized by the employer to be absent from service without being
15 separated from membership.

16 (25) "Retiree" means any person who has begun accruing a
17 retirement allowance or other benefit provided by this chapter
18 resulting from service rendered to an employer while a member.

19 (26) "Director" means the director of the department.

20 (27) "State elective position" means any position held by any
21 person elected or appointed to statewide office or elected or
22 appointed as a member of the legislature.

23 (28) "State actuary" or "actuary" means the person appointed
24 pursuant to RCW 44.44.010(2).

25 (29) "Plan" means the Washington public safety employees'
26 retirement system plan 2.

27 (30) "Index" means, for any calendar year, that year's annual
28 average consumer price index, Seattle, Washington area, for urban
29 wage earners and clerical workers, all items, compiled by the bureau
30 of labor statistics, United States department of labor.

31 (31) "Index A" means the index for the year prior to the
32 determination of a postretirement adjustment.

33 (32) "Index B" means the index for the year prior to index A.

34 (33) "Adjustment ratio" means the value of index A divided by
35 index B.

1 (34) "Separation from service" occurs when a person has
2 terminated all employment with an employer.

3 **Sec. 11.** RCW 41.45.203 and 2006 c 189 s 18 are each amended to
4 read as follows:

5 (1) The required employer contribution rate in support of
6 teachers' retirement system members employed as supreme court
7 justices, court of appeals judges, and superior court judges who
8 elect to participate under RCW 41.32.584(1), or who are newly elected
9 or appointed after January 1, 2007, shall equal the teachers'
10 retirement system employer contribution rate established under this
11 chapter.

12 (2) The required contribution rate for members of the teachers'
13 retirement system plan 1 employed as supreme court justices, court of
14 appeals judges, and superior court judges who elect to participate
15 under RCW 41.32.584(1), or who are newly elected or appointed after
16 January 1, 2007, shall be the deductions established under RCW
17 41.50.235 plus ((~~six and twenty-six~~))three and seventy-six one-
18 hundredths percent of pay.

--- END ---

Select Committee on Pension Policy
Direction on Today's Agenda
(November 13, 2006)

Item #	Next Scheduled Hearing
(9) Gain-sharing	<u>None</u>
1. Does the Executive Committee want to forward the discussion proposal to the Full Committee for possible executive action in December?	
2. Does the Executive Committee want to forward an alternative proposal to the Full Committee for possible executive action in December?	

Select Committee on Pension Policy

December 12th – Meeting Planner

(November 13, 2006)

FULL COMMITTEE AGENDA

- (1) Age 66 COLA
- (2) WSP contribution rates
- (3) Gain-sharing
- (4) Dual membership
- (5) Technical corrections
- (6) Contribution-rate adoption process
- (7) Adjourn

EXECUTIVE COMMITTEE AGENDA

No meeting scheduled